



SMERA RATINGS LIMITED

SMERA MFI Grading

M1

*(Highest capacity
of the MFI to
manage its
operations in a
sustainable
manner)*

SMERA MFI Grading

RGVN (North East) Microfinance Limited

Date of Report:

27th February, 2017

Valid Till:

26th February, 2018



Conflict of Interest Declaration

The Rating Agency (including its holding company and wholly owned subsidiaries) has not been involved in any assignment of advisory nature for a period of 12 months preceding the date of the comprehensive grading. None of the employees or the Board members of the Rating agency have been a member of the Board of Directors of the MFI during for a period of 12 months preceding the date of the comprehensive grading.

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TABLE OF CONTENTS

SMERA's MFI Grading Scale	3
Company Profile.....	4
Compliance with RBI's Directives.....	11
Grading Rationale.....	13
Financials	18
Financial Ratios	21
Grading Methodology	22

SMERA's MFI Grading Scale

Grading Scale	Definitions
M1	MFIs with this grade are considered to have highest capacity to manage their microfinance operations in a sustainable manner.
M2	MFIs with this grade are considered to have high capacity to manage their microfinance operations in a sustainable manner.
M3	MFIs with this grade are considered to have above average capacity to manage their microfinance operations in a sustainable manner.
M4	MFIs with this grade are considered to have average capacity to manage their microfinance operations in a sustainable manner.
M5	MFIs with this grade are considered to have inadequate capacity to manage their microfinance operations in a sustainable manner.
M6	MFIs with this grade are considered to have low capacity to manage their microfinance operations in a sustainable manner.
M7	MFIs with this grade are considered to have very low capacity to manage their microfinance operations in a sustainable manner.
M8	MFIs with this grade are considered to have lowest capacity to manage their microfinance operations in a sustainable manner.

The MFI has obtained MFI grading of “**M1**”. MFIs with this grade are considered to have highest capacity to manage their microfinance operations in a sustainable manner.

Company Profile

Name of the MFI	RGVN (North East) Microfinance Limited
Year of Incorporation	2008
Year of Commencement of Microfinance Operations	2010
Legal Status	NBFC-MFI
Business of the Company	Microfinance lending to Joint Liability Group (JLG)
Correspondence Address	House No. 2, Padma Path, Zoo Road, Tiniali, Bi-Lane No.8, Guwahati – 781 024 Assam India
Telephone	(91) (361) (2464612)
Geographical Reach (As on 31/Dec/2016)	No of States : 06 No of Branches : 136
Total Employees (As on 31/Dec/2016)	703
Active Borrowers (As on 31/Dec/2016)	353,394
Total Portfolio Outstanding (As on 31/Dec/2016)	Owned Portfolio – Rs.582.88 crore
Operational Head	Ms. Rupali Kalita, Managing Director Email ID: rupali_rgvn@yahoo.com
Statutory Auditor & Address	D. Patwary & Co (Chartered Accountants) Membership No. 060467 Guwahati Assam India

Background

RGVN (North East) Microfinance Limited (RGVN), a Public Limited Company registered under the Company's Act, 1956 was incorporated in July, 2008. RGVN is a NBFC-MFI carries microfinance and social development activities in North-Eastern states. RGVN has taken over the 'Credit & Savings Programme' (CSP) of its parent company RGVN Society which was started in the year 1995 with the mission of extending microcredit to the unbanked and underserved people of North-Eastern States of the country.

The day-to-day operations of the company are managed by Ms. Rupali Kalita, Managing Director. Ms. Kalita has worked as a Rural Development Banker and has over three decades of experience in the micro lending and social development.

RGVN provide loans to members of Joint Liability Group (JLG) consisting of five-six members who come together for the purpose of availing micro credit on individual basis or through group mechanism against mutual guarantee. As on 31/Dec/2016, RGVN is currently operating in 36 districts spread across six states of North-Eastern region. As on 31/Dec/2016, RGVN deals with 353,394 members/borrowers with a total outstanding portfolio of Rs. 582.88 crore.

RGVN has received in-principle approval from RBI for setting-up Small Finance Bank (SFB) and they are expected to receive the final SFB license from RBI on 07th April 2017. There were 72 applications to get SFB license, out of which RBI granted in-principle license to 10 players.

Shareholder's –Equity Shares as on 31/Mar/2016

Name of the Shareholder	Shares Held	Shareholding (%)
Dia Vikas Capital Private Limited	11,521,095	29.81
North Eastern Development Finance Corporation Limited	3,000,000	7.76
Small Industries Development Bank of India	5,000,000	12.94
Norway Microfinance Initiative (NMI)	7,346,939	19.01
Oiko Credit Ecumenical Co-operative Society	7,673,469	19.85
Others	4,110,799	10.63
Total	38,652,302	100.00

Highlights of Microfinance Operations

Particulars	31/03/2014	31/03/2015	31/03/2016	31/12/2016 (9M)
No. of states	05	05	06	06
No. of branches	107	104	131	136
No of districts	33	33	34	36
No. of active borrowers	166,623	226,614	291,552	353,394
No. of total employees	560	560	609	703
No. of field officer	291	293	295	372
Loan disbursements during the period (Rs. in crore)	172.82	308.73	560.88	429.60
Net portfolio outstanding (Rs. in crore)	124.32	229.10	487.54	582.88

SMERA Comments

As on Dec 31 2016, the company has an outstanding loan portfolio of Rs. 582.88 crore spread over 136 branches of 36 districts with about 353,394 borrowers. RGVN's Assets under Management (AUM) witnessed a robust growth of ~113% in FY2016 over the previous year (~84% growth in FY2015).

In FY2016, the company expanded its borrower base by adding 27 new branches and 05 new branches in the 9MFY2016-17.

In FY 2016, the disbursement almost doubled compared to the previous year on account of good funding from banks and financial institutions.

As on Dec 31, 2016, the company remains exposed to geographical concentration risk with major portfolio outstanding in the state of Assam with ~ 94 per cent and remaining (only 06 per cent) across five states namely Meghalaya, Arunachal Pradesh, Sikkim, Nagaland and Tripura.

Product Profile

Loan Products	Interest Rate	Processing Fees	Loan Size	Tenure
Joint Liability Group	24% Reducing	1.00%	Rs15,000 to Rs.50,000	1 year for loan below Rs.15,000 and 02 years for above Rs.15,000
Self Help Group				
Micro Enterprise Loan				
Entrepreneur Development Loan				

Note: Interest rate for Arunachal, Nagaland, Meghalaya, Sikkim, Tripura and BTAD Branches of Assam is 20% (reducing).

Promoters Profile

Name	Position	Profile
Brij Mohan	Chairman	<ul style="list-style-type: none"> • Associated with RGVN since July, 2008. • Former Executive Director of Small Industries Development Bank of India (SIDBI), Lucknow • He was closely involved in setting up of SIDBI Foundation for Micro Credit (SFMC) as an apex financing & development micro-finance entity in 1998.
Deep Joshi	Independent Director	<ul style="list-style-type: none"> • Associated with RGVN since Jan, 2011. • Three decades of experience in rural development, especially rural livelihood promotion. He also has extensive experience of SHGs and was associated with the SHG-Bank Linkage Program in the course of his work in PRADAN (NGO). He is one of the Promoter Directors of Bhartiya Samruddhi Investments and Consulting Services Limited (BASICS), has served as chairman of a Local Area Bank.
Mr. Robert Douglas Dunn	Nominee Director	<ul style="list-style-type: none"> • Mr Robert Douglas Dunn (BA Hons) is an Australian citizen. He became Chief Executive Officer and Director of Opportunity International Australia Ltd in 2008 providing financial and technical support for microfinance services to 20 financial institutes across Asia. • Robert also serves on the Boards of the Port Authority of New South Wales and Logosdor Limited. Prior to joining Opportunity International Australia, Robert was the Finance Director with Patrick Corporation, one of Australia's leading transport logistics companies. He is a member of the Australian Institute of Company Directors and of Chartered Accountants Australia and New Zealand.
S.K. Baruah	Nominee Director NEDFI	<ul style="list-style-type: none"> • Presently General Manager & Company Secretary in North Eastern Development Finance Corporation Ltd (NEDFI). • He looks after Corporate Affairs, Human Resource, Administration, Finance at NEDFI
Dr. Amiya Kr. Sharma	Nominee Director	<ul style="list-style-type: none"> • Associated with RGVN since September, 2008 • Former Co-Chairman of Sa-Dhan and Present ED of Rashtriya Gramin Vikas Nidhi (Society), Dr. Sharma is actively involved in various activities related to the voluntary sector and also assisted in development of many NGOs in the region
UgenTashi	Nominee Director - IDBI Bank Ltd	<ul style="list-style-type: none"> • Associated with RGVN since March, 2015 • Presently the Regional Head-Retail Banking, IDBI

		Bank Ltd, Guwahati
Sanjeev Gupta	Nominee Director - SIDBI	<ul style="list-style-type: none"> • Presently heading Guwahati Regional Office for entire Northeast Region since June 2015. • Almost three decades of experience in various disciplines like Credit Operations, Audit, and Vigilance & Administration.
Ranjit Goswami	Independent Director	<ul style="list-style-type: none"> • Almost three decades of experience in SBI in various disciplines like Treasury, Credit, Rural Development, Banking Operations, HR and Inspection.
Njord Andrewes	Nominee Director - NMI	<ul style="list-style-type: none"> • He is an Investment Director of NMI Global Fund, Netherlands. Prior to that he was a Sr. Equity Research Analyst at Lazard Capital and Janney Montgomery Scott, LLC.
Suvalaxmi Chakraborty	Nominee Director – Oiko Credit	<ul style="list-style-type: none"> • A Chartered Accountant by profession • Presently heading Guwahati Regional Office for entire Northeast Region since June 2015. • Almost two decades of experience in various disciplines like Project and Corporate finance, Treasury and Integrated Multi Currency fund, Asset Liability Management, Rural/Agri and Micro Banking etc
Rupali Kalita	Managing Director	<ul style="list-style-type: none"> • Associated with RGVN since inception • Present MD of RGVN (NE) MFL. A Rural Development Banker with more than 20 years of experience in the banking sector. She has been working for empowerment of the under privileged women in rural as well as urban sector through financial intermediation by persistently encouraging them to build up their confidence and to emerge as successful entrepreneur.

SMERA Comments

- As on Dec 31, 2016, RGVN have eleven members on board with seven nominee directors (which include 06 representatives from Investors) and two independent directors with banking & finance/Microfinance expertise.
- The board meets on a quarterly basis and if required frequency of the meeting increases. Board is actively involved in strategy formulation, developing & approving business plans, fund mobilization. Board meetings also cover the overall performance, recruitment, updating policy, to ensure the use of resources, approve annual work plan and budgets, implement programmes that are in line with the mission and vision, monitor MFI's performance and review monthly reports. The management team updates the board regularly on operations and key developments in each department.

Senior Management Profile

Name	Position
Rupali Kalita	Managing Director
Prem Kiran Varikuty	Vice President
Gunajit Bayan	Associate Vice President
Pragati Mour	Company Secretary and Compliance Officer
Tarun Sarma	Head - Training
Suhail Haque	Head - Human Resource
Pranjal Pratim Goswami	Head - Risk & SPM
Manoj Bhattacharjee	Head - Administration
Devashish Bhattacharya	Zonal Manager
Amarendra Deka	Zonal Manager
Trailokya Goswami	Zonal Manager
ParashBorthakur	Zonal Manager
Dipenjoy Deb	Zonal Manager

SMERA Comments

RGVN's management team and second line of management have relevant experience in the MFI industry and better understanding in banking, microfinance and social development.

Compliance with RBI's Directives

RBI's Direction	RGVN Status	Compliance
85% of total assets to be in the nature of qualifying assets	More than 85% of assets are qualifying assets as on 31/Dec/2016	Complied
Net worth to be in excess of Rs 5 Crore	Net Owned Funds stood at Rs 123.58 crore as on 31/Dec/2016	Complied
Income of borrower not to exceed Rs 100,000 in the rural areas and Rs 160,000 in the urban and semi-urban areas*	RGVN extends loans to households whose income does not exceed Rs 100,000 in rural and Rs 160,000 in urban areas	Complied
Loans size not to exceed Rs 60,000 in first cycle and Rs 100,000 in subsequent cycles*	RGVN offers loan in the range of Rs 15,000 to Rs 50,000 depending on client repayment capacity, type of activity etc.	Complied
Total indebtedness of the borrower not to exceed Rs 100,000 (excl medical and education loans)*	Apart from taking declaration from the client, RGVN conducts credit check on the loans outstanding through credit bureaus	Complied
Tenure of loans not to be less than 24 months for loan amount in excess of Rs 30,000, with prepayment without penalty*	RGVN offers loans of Rs 15,000 for tenure of 12 months and loans of above Rs 20,000 for 24 months.	Complied
Pricing guidelines are to be followed	Loans are provided in range of 20% and 24% reducing balance basis which meets the RBI criteria.	Complied
Transparency in interest rates to be maintained	Interest, Processing fees and insurance premium charged are duly mentioned in the loan card provided to the client	Complied
Not more than two MFIs lend to the same client	RGVN verifies the same though credit check from credit bureaus	Complied

RBI's Direction	RGVN Status	Compliance
Loan pricing to include processing fee (not exceeding 1% of the loan amount)	RGVN is charging processing fee of 1.00% on the disbursed loan amount plus applicable service tax	Complied
Collateral free loans	RGVN does not accept any collateral for extending the credit.	Complied
MFIs shall not collect any Security Deposit / Margin from the borrower.	RGVN does not collect any security deposit / margin from the borrower.	Complied
No late payment or prepayment penalties	RGVN does not take late payment or prepayment penalties from the clients.	Complied
Share complete client data with at least one Credit Information Company (CIC) established under the CIC Regulation Act 2005, as per the frequency of data submission prescribed by the CIC.	RGVN shares its client data with Crif Highmark, Equifax, Experian and CIBIL.	Complied
Aggregate amount of loans, given for income generation, is not less than 50 per cent of the total loans given by the MFIs	RGVN provides 99.57% of total loans for income generation activities.	Complied
NBFC-MFIs shall maintain a capital adequacy ratio consisting of Tier I and Tier II Capital which shall not be less than 15 percent of its aggregate risk weighted assets.	As per provisional CRAR of RGVN stood at 20.99 % as of 31st Dec 2016 which complies with the minimum CRAR requirement of 15% for NBFC-MFIs as prescribed by RBI. RGVN does not have any exposure in Andhra Pradesh.	Complied
The aggregate loan provision to be maintained by NBFC-MFIs at any point of time shall not be less than the higher of a) 1% of the outstanding loan portfolio or b) 50% of the aggregate loan installments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan installments which are overdue for 180 days or more'.	The statutory auditor has certified the appropriate provisions have been made	Complied

Grading Rationale

Operating Environment

- SMERA estimates the MFI sector to grow at a CAGR of 20%-25% and is expected to touch Rs.100000 crore by the end of FY2019.
- MFIs have reported an increase of ~58% in average loan per borrower in FY2016 as compared to FY2014. SMERA believes seasoned customer profile over multiple loan cycles have helped MFIs to increase its loan ticket size.
- The fund flow to the sector has improved on account of increased confidence on MFI sector coupled with reduction in interest rate (100-150 bps). Further large MFIs are exploring the route of Non-convertible debentures (NCDs) and Pass through Certificates (PTCs); whereas small –mid size MFIs have an increased access to funds from banks and financial institutions
- SMERA expects licensing of small finance banks to MFIs to fuel competition for deposits and bring innovative banking solutions to customers
- Support systems such as Self-Regulatory Organisations (SRO), Credit Information Bureaus (CIB) among others have been established to ensure credit check and process adherence among MFIs. This regulatory framework will bring more accountability and transparency within the sector.
- Despite all developments in the sector the inherent risk exist such as unsecured nature of lending, vulnerable customer profile, exposure to vagaries of political situation in states, and cash handling (though which is expected to reduce with demonetization step taken by Government), and so on.
- On the contrary, recent demonetization drive restrained MFIs disbursement and collection process which is expected to moderate microfinance sector growth in FY2016-17 as compared to the previous year.

Long track record of operations and extensive industry experience of promoters

RGVN (North East) Microfinance Limited (RGVN), a Public Limited Company registered under the Company's Act, 1956 was incorporated in July, 2008. RGVN is a NBFC-MFI carries microfinance and social development activities in North-Eastern states. RGVN has taken over the 'Credit & Savings Programme' (CSP) of its parent company RGVN Society which was started in the year 1995 with the mission of extending microcredit to the unbanked and underserved people of North-Eastern States of the country.

As on Dec 31, 2016, RGVN have eleven members on board with seven nominee directors (which include 06 representatives from Investors) and two independent directors with banking & finance/Microfinance expertise.

The day-to-day operations of the company are managed by Ms. Rupali Kalita, Managing Director. Ms. Kalita has worked as a Rural Development Banker and has over three decades of experience in the micro lending and social development.

RGVN's management team and second line of management have relevant experience in the MFI industry and better understanding in banking, microfinance and social development.

In-principle approval for Small Finance Bank

RGVN has received in-principle approval from RBI for setting-up Small Finance Bank (SFB) and they are expected to receive the final SFB license from RBI on 07th April 2017. There were 72 applications to get SFB license, out of which RBI granted in-principle license to 10 players.

Corporate Governance & Transparency

RGVN conducts board meetings on regular basis and points discussed therein are implemented by second line of management & operations team. It is observed that RGVN exhibits high level of compliance towards corporate governance needs of an MFI. By inducting persons with good and sound reputation in the industry and understanding of microfinance as members of board of directors or governing body.

RGVN, being a public limited company is subject to regulatory compliance and monitoring of RBI & SEBI. RGVN maintains high transparency in the interest rates charged to its clients. The organization discloses all terms & conditions of all financial products to the borrowers including interest rate on the loan and processing fees in local language as well as verbal communication at the time of training. The details are printed on the loan passbook which is available with the borrowers.

Diversified Resource Profile

RGVN's legal status allows raising equity from market or private equity players and it has been successful in mobilizing the funds. The net worth has increased to Rs.100.18 crore in FY 2016 as compared to Rs.86.64 crore in the previous year. As on Mar 31, 2016, RGVN has developed funding relationships with 23 lenders including Nationalized Banks, Private Banks, Domestic Financial Institutions and NBFCs. RGVN has been successful in mobilizing funds from banks & financial institutions. The total borrowings stood at Rs.447.20 crore as on 31/Mar/2016.

The cost of funds (COF) for RGVN improved to 11.95% in FY 2016 from 14.65% in FY 2014 on account of increased funding from banks and Non-Convertible Debentures (NCDs) from financial institutions.

Moderate Capitalisation and Comfortable Liquidity Profile

RGVN's comfortable capitalisation is reflected in the capital adequacy ratio (CAR) of 20.99 per cent as on Dec 31, 2016 (provisional) as against CAR of 20.94 per cent as on March 31, 2016 and 38.56% as on March 31, 2015. The NBFC-MFI capitalisation in relation to managed asset base has been comfortable on account of equity infusion and internal accruals at regular interval. The NBFC-MFI has raised Rs.49.26 crore by issuing non-convertible debentures.

RGVN has a comfortable liquidity position due to well matched maturity of assets and liabilities. The tenure of loans is about 12-24 months, whereas the incremental bank funding is typically with tenure of about 12-36 months. However regular flow of funds is critical to maintain the projected growth and the same would have a key bearing on its liquidity profile.

Profitability

The company reported a profit after tax of Rs. 13.53 crore (ROA of 4.6%) on total income of Rs.77.91 crore in FY2016 as compared to Rs.7.35 crore (ROA 5.0%) on total income of Rs 42.54 crore in the previous year.

RGVN's return on equity (ROE) and return on assets (ROA) increased in FY 2016 over the previous year mainly on account of increase in total income as well as in portfolio leading to improvement in operational self-sufficiency (OSS).

Profitability / Sustainability Ratios	2014	2015	2016
Operational Self Sufficiency (%)	125.6%	132.1%	142.4%
Operating Expense Ratio (OER)	9.3%	8.4%	4.8%
Cost of Funds (COF)	14.65%	11.52%	11.95%
Portfolio at Risk (>30 days)	0.51%	0.19%	0.18%
Return on Assets (RoA)	4.6%	5.0%	5.7%
Return on Equity (RoE)	22.85%	16.91%	25.70%

Sound Asset Quality

Period	FY 2014	FY 2015	FY 2016	31/Dec/2016
	Value of Portfolio o/s (Rs. Thousands)	Value of Portfolio o/s (Rs. Thousands)	Value of Portfolio o/s (Rs. Thousands)	Value of Portfolio o/s (Rs. Thousands)
On time	1,235,346	2,285,061	4,865,112	5,568,451
1-30 days	1,494	740	1,616	214,403
31-60 days	325	374	307	32,386
61-90 days	277	133	401	2,590
91-180 days	442	618	653	2,268
181-360 days	943	641	1,412	1,371
> 360 days	4,329	2,615	5,929	7,300
Total	1,243,156	2,290,182	4,875,430	5,828,769

Adequate credit appraisal processes, monitoring and risk management mechanism have supported the company to keep asset quality indicators under control.

RGVN's Assets under Management (AUM) in FY 2016 witnessed robust growth of 113% over FY15 (84% growth seen in FY2015) while maintaining sound asset quality with over 99.50% over the same period. However the step of De-monetization impacted the Microfinance industry as a whole the resultant of which collection ratio declined to 80% in the first week. However Subsequent increased in supply of new currencies by RBI had led to improvement in collections in the fourth week and on time repayment for RGVN stood at 95.50% as on 31/Dec/2016.

Geographical Concentration

S.No.	Branch Name	No. of active borrowers	Loan Outstanding (in thousands)
1	Assam	330,810	5,466,172
2	Meghalaya	4,647	68,574
3	Arunachal Pradesh	3,342	50,011
4	Sikkim	9,897	162,769
5	Nagaland	1,980	23,825
6	Tripura	2,718	57,417
	TOTAL	353,394	5,828,768

As on Dec 31, 2016, the company remains exposed to geographical concentration risk with major loan portfolio outstanding in the state of Assam with ~ 94 per cent and ~ 06 per cent spread across five states namely Meghalaya, Arunachal Pradesh, Sikkim, Nagaland and Tripura.

SMERA believes that the company is exposed to political uncertainty in the state of Assam where the company has majority of the microfinance operations. Any political intervention in the existing states would materially affect the company's asset quality indicators. It would also be a key grading sensitivity factor for the company to replicate its systems, processes and sound asset quality in the newer geographies while improving portfolio diversity.

Moderate level of Management Information System (MIS)

RGVN has appointed department-wise personnel for operations, management information system (MIS), Internal Audit (IA), Finance & Accounts, Risk Audit Team and Human Resource. RGVN has documented operational policies covering details of loan products, field operations, credit approval and monitoring process etc.

RGVN has sound cash management system. All the disbursement to borrowers is made by cheque thereby encouraging minimum use of cash. Further the branch manager has been instructed to deposit excess cash after taking care of disbursement and collection plans in the branch bank account. Further the NBFC-MFI have availed cash in transit insurance and have also provided insurance to its members from third party insurance companies.

RGVN has dedicated internal audit team (headed by head of internal process who directly to the Board of Directors).The team conducts assessment of deviations from documented policies on a monthly and quarterly basis. Every quarter both the field audit and the accounting audit findings are submitted to the audit committee.

The current MIS system deployed in RGVN is 'BIJLI' customized software which seems to be moderate to handle the current and projected growth. The MIS lacks real time tracking of micro finance activities as Head office have to be dependent on branches for extracting information.

Financials

Profit & Loss Account (Rs. In Thousands)

Financial Year	2014	2015	2016
Months	12	12	12
	Audited		
Income			
Financial revenue from operations	332,297	425,417	779,148
Financial expenses from operations	(150,121)	(160,384)	(371,985)
Gross financial margin	182,176	265,033	434,496
Less: Provision for Loan Loss	(1,832)	(14,095)	(20,900)
Net financial margin	180,344	250,938	413,596
Less: Operating expenses			
Depreciation and Amortization Expense	(2,385)	(4,422)	(4,344)
Personnel Expense	(86,253)	(92,808)	(128,030)
Administration Expense	(23,966)	(50,422)	(41,122)
Net Operating income	67,740	103,286	240,100
Add: Non-Operating Revenue	2,598	5,496	1,185
Net income Before Exceptional items	70,338	108,782	241,285
Less: Expenses for Small Finance Bank	0	337	8,732
Less: Prior Period Expenses	0	0	8,283
Net income Before Tax	70,338	108,445	224,270
Less: Income Tax	(23,278)	(34,907)	(88,907)
Net income After Tax	47,060	73,538	135,363
Less: Dividend Payout	0	0	0
Net income After Tax (After Appropriations)	47,060	73,538	135,363

Note: Above financials are taken audited statements.

Balance Sheet (Rs in Thousands)

As on Date	31/03/14	31/03/15	31/03/16
	Audited		
SOURCES OF FUNDS			
Owners Capital	180,110	386,523	386,523
Reserves & Surplus	154,876	479,941	615,304
Share Premium	20,000	0	0
TOTAL EQUITY(A)	354,986	866,464	1,001,827
Liabilities			
Short-term liabilities			
<u>Short-term borrowings</u>			
Commercial Loans from banks/FI for microfinance	580,649	1,038,408	2,063,104
Interest payable on funding liabilities	5,371	8,551	51,234
Account payable & Other short-term liabilities	39,465	61,299	141,755
Total Short Term Liabilities(B)	625,485	1,108,258	2,256,093
Long-term liabilities			
<u>Long-term borrowings</u>			
Commercial Loans from banks/FI for microfinance	450,240	714,265	2,408,921
Concessional Loan/Subordinated Debt	0	0	0
Total Long Term Liabilities(C)	450,240	714,265	2,408,921
TOTAL OTHER LIABILITIES(D)	1,075,725	1,822,523	4,665,014
PROVISION FOR LOAN LOSS(E)	21,144	32,263	48,754
TOTAL LIABILITIES (A+B+C+D+E)	1,451,855	2,721,250	5,715,595

APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	14,148	17,095	18,840
Less: Depreciation	6,172	10,051	11,281
Total Fixed Assets(A)	7,976	7,044	7,559
Cash and Bank Balances(B)	152,060	323,512	637,749
Loan Portfolio *			
Gross Loan Portfolio	1,243,156	2,291,001	4,875,430
Less: Impairment Loss Allowance	-	-	-
Net Loan Portfolio(C)	1,243,156	2,291,001	4,875,430
Accounts Receivable and Other Assets(D)	45,232	87,366	173,335
Deferred Tax (E)	2,389	11,270	21,522
Intangibles (F)	1,042	1,057	0
TOTAL ASSETS (A+B+C+D+E+F)	1,451,855	2,721,250	5,715,595

Financial Ratios

Financial Ratios	31/Mar/2014	31/Mar/2015	31/Mar/2016
<u>Capital Adequacy Ratio (CAR)</u>			
Capital Adequacy Ratio (%)	28.81%	38.56%	20.94%
<u>Productivity / Efficiency Ratios*</u>			
No. of Active Borrowers Per Staff Member	298	405	479
No. of Active Borrowers per field executives	573	773	988
Gross Portfolio o/s per field executive (Rs in thousands)	4,272	7,819	16,527
Average Outstanding Balance Per borrower (In Rs)	7,461	10,106	16,722
Cost Per Active borrower (In Rs)	676	652	595
<u>Asset / Liability Management</u>			
Yield on Portfolio (%)	26.4%	23.2%	21.7%
<u>Profitability / Sustainability Ratios</u>			
Operational Self Sufficiency (%)	125.6%	132.1%	142.4%
Operating Expense Ratio (OER)	9.3%	8.4%	4.8%
Cost of Funds (COF)	14.65%	11.52%	11.95%
Return on Assets (RoA)	4.6%	5.0%	5.7%
Portfolio at Risk (>30 days)	0.51%	0.19%	0.18%
Return on Equity (RoE)	22.85%	16.91%	25.70%
<u>Gearing Ratio</u>			
Total Debt to Equity (Times)	2.90	2.02	4.46

Grading Methodology

Annexure: Methodologies

A) Operational Track Record

Business Orientation and Outreach of the MFI is an important parameter to gauge the growth strategies of the MFI and to assess its strategies for development. This parameter is analysed using the following sub-parameters.

- Direction & Clarity
- Ability to raise funds
- Degree of association with promoter institution
- Alternate avenues for funds
- Outreach (No. of offices, No. of clients, No. of employees, Portfolio diversification)

B) Promoters & Management Profile

The elements in this parameter helps in assessing the Promoter & management quality evaluated on the basis of the basic educational qualification, professional experience of the entrepreneur; and business attitude that is related to the motivation of carrying out the business and pursuing business strategies. This parameter is analysed using the following sub-parameters.

- Past experience of the management
- Vision and mission of the management
- Profile of the Board Members
- Policies and Processes
- Transparency and corporate governance

C) Financial Performance

SMERA analyses the credit worthiness of the organization through the following financial parameters. Various financial adjustments are done to get more accurate ratios for comparison. Financial analysis helps the MFI to know its financial sustainability. This parameter is analysed using the following sub-parameters.

- Capital adequacy
- Profitability/Sustainability ratios
- Productivity and efficiency ratios
- Gearing and Liquidity ratios

D) Asset Quality

The loan portfolio is the most important asset for any MFI. SMERA analyses the portfolio quality of the MFIs by doing ageing analysis, sectoral analysis, product wise analysis etc. SMERA compares the portfolio management system with organizational guidelines and generally accepted best practices. This parameter is analysed using the following sub-parameters.

- Ageing schedule
- Arrears Rate / Past Due Rate
- Repayment Rate
- Annual Loan Loss Rate

E) System & Processes

SMERA analyses the policies and processes followed by the MFIs, their ability to handle volume of financial transactions, legal issue and disputes, attrition among the employees and client drop out which impact the productivity of the organization. SMERA also analyses asset liability maturity profile of the MFI, liquidity risk and interest rate risk. This parameter is analysed using the following sub-parameters.

- Operational Control
- Management Information System
- Planning & Budgeting
- Asset Liability Mismatch

Thus an evaluation of MFI would be comprehensive assessment based on the financial and non-financial parameters of any MFI.

About SMERA

SMERA Ratings Limited is a joint initiative of Small Industries Development Bank of India (SIDBI), Dun & Bradstreet Information services India Private Limited (D&B) and leading public and private sector banks in India. SMERA commenced its operations in 2005 and is empanelled as an approved rating agency by the National Small Industries Corporation Ltd. (NSIC) under the 'Performance & Credit Rating Scheme for Micro & Small Enterprise' of the Ministry of MSME, Government of India. SMERA is registered with the securities and Exchange Board of India (SEBI) as a Credit Rating Agency and is accredited by Reserve Bank of India (RBI) as an External Credit Assessment Institution (ECAI), under BASEL- II norms for undertaking Bank Loan Ratings.

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